Country of Origin Labeling Program
Agricultural Marketing Service
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RE: Docket No. LS-03-04
Mandatory Country of Origin Labeling

Mandatory country of origin labeling (COOL) will have a major impact on the U.S. domestic livestock industry, which is the biggest consumer of U.S. soybeans. As such, the American Soybean Association submits the following comments for consideration in promulgating the final rule on COOL.

The proposed rule for COOL could cost U.S. soybean farmers $68.29 million in lost annual sales. Moreover, it imposes a regulatory system that creates regional disparities among soybean producers based on where and to which livestock sectors their products are marketed.

Our projections are based on an analysis World Perspectives International conducted for the soybean industry on the likely impacts of COOL. The analysis assumes that COOL will change the patterns for many of the Canadian and Mexican feeder calves and pigs that come to U.S. feedlots and confinement feeding operations. These animals utilize up to 49 million bushels of U.S. soybeans while in domestic feeding operations.

Making up for a loss in this domestic demand for U.S. soybeans would require a major increase in export sales. Already the U.S. soybean sector relies on the export market for 40 percent of its total sales. One of the unintended consequences of COOL may be the proliferation of stricter COOL standards similarly intended to deter consumer interest in imported product. While 43 countries have COOL standards, none is as strict in the case of meat (and therefore livestock) as the requirement that animals be “born, raised and slaughtered” in the U.S. in order to obtain a U.S. label.

In fact, that requirement diverges significantly from the “substantial transformation” definition in the WTO for tariff assessment. The concern for U.S. soybean growers who depend on exports for 40 percent of total sales is that an overly strict implementation of COOL in the U.S. would proliferate COOL-type requirements in countries where consumers may discriminate against imported products. Additionally, U.S. soybean growers believe that the European Union’s new Labeling and Traceability requirements for biotech commodities and products are discriminatory and trade-restrictive, and thus must be challenged under WTO procedures. It is counterproductive for the U.S. to implement restrictive COOL requirements at the same time it may be challenging the trade-restrictive policies of other countries.

Much of the impact of COOL will be in the form of recordkeeping. In that regard, ASA urges that the final rule be as streamlined and flexible as possible. While much of the compliance and regulatory burden is placed on retailers and meat packers, it is a principle of economics that new costs imposed on a value chain are typically borne by the segment of that chain with the most fixed assets. In the case of the livestock and meat chain, that is the livestock producer who is the customer for our U.S. soybeans.

Thank you for the opportunity to offer these comments and for your consideration of the same.

Sincerely,

Ron Heck
President